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April 26, 2002

Honorable Mayor Kwame M. Kilpatrick
City Council
Citizens of Detroit

This 2001 Service Efforts and Accomplishments (SEA) Report is Detroit's first response to the Governmental Accounting Standards Board's (GASB) Concept Statement No. 2, which states that the annual financial statements issued by governmental units do not do an adequate job communicating government performance, and suggests that an additional report be published to provide information on the governmental entity's financial and non-financial inputs, outputs or outcomes, and efficiency or effectiveness in providing services.

The City of Detroit's first SEA report examines the services provided by six of the City's major departments – DPW, DDOT, Fire, Police, Public Lighting, and Recreation. The report incorporates year-to-year performance measurements and financial results, peer city benchmarking data, results of a citizen satisfaction survey and explanatory information to describe the services that are delivered to City of Detroit residents.

The purpose of the report is three-fold: assess the performance of the departments at the end of the 2001 fiscal year, establish a benchmark against which future years' performance can be measured, and put in place a mechanism to continue to measure the City's progress in improving services.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph L. Harris".

Joseph L. Harris
Auditor General

JLH:plw

EXECUTIVE SUMMARY

The 2001 Service Efforts and Accomplishments (SEA) Report for the City of Detroit incorporates the results of a citizen satisfaction survey, benchmarking with peer cities, year over year performance trends and explanatory information in an effort to measure the efficiency and effectiveness of the services provided by six of the City's major departments. This is Detroit's first report to respond to the Governmental Accounting Standards Board's (GASB) Concept Statement No. 2, which calls for a report on the performance of city services, in addition to the annual financial statements, to gauge overall city performance. The departments included in the first SEA report are: Department of Public Works, Department of Transportation, Fire Department, Police Department, Public Lighting Department and the Recreation Department. These six departments comprise 37% of the city's annual budget and 55% of the annual workforce. They are also the departments that have the most impact on citizens' opinion of the services they receive from their local government.

The purpose of this report is:

- ◆ To assess the quality of city services at the end of 2001.
- ◆ To establish a benchmark against which subsequent years' performance can be measured to evaluate the success of changing city priorities and policies, including staffing and funding reallocation decisions.
- ◆ To put in place the mechanism to continue to measure the City's progress in improving services.

The analysis in the following chapters of this report examines specific city services delivered by the six departments. The introduction to this report contains a description of the methodology followed to create this report. Department chapters contain city services and activities organized by departmental goals with year-to-year comparisons of spending, staffing, workload, and efficiency and effectiveness measurements; benchmarking with peer cities; citizen satisfaction with city services, and information about the services and service delivery. The appendices to this report contain the results of a citizen satisfaction survey; the results of a Public Lighting customer satisfaction survey; each department's financial, staffing and measurement data; and the peer city benchmarking data.

OBSERVATIONS:

Most of the measurements used by the Office of the Auditor General (OAG) to assess department performance are those that are used for the Budget Department's Goal Based Governance process because historical measurements are readily available. Optimally, in developing a Service Efforts and Accomplishments Report, the process owners and the OAG would work together to develop the most meaningful measurements of performance for each process. Future SEA reports will incorporate more of that methodology.

OAG auditors found that, in many cases, manual or automated data collection systems used to capture workload or productivity data are not in place or are not being used. This means that performance measurements are often estimated or recreated later. To improve performance, City management needs to instill the importance of measuring performance and insist that accurate data collection systems and processes be incorporated into daily procedures. Without timely and accurate measurements of past performance, it is difficult to measure and celebrate current and future achievements.

Department performance measurements were not audited. OAG auditors used measurements reported to the Budget Department and those obtained from department management. Auditors found that in some cases, the 2001 fiscal year measures reported to them by the department and measures for the 2001 fiscal year published in the 2002-2003 Executive Budget are different. OAG auditors made every effort to investigate the differences. This occurrence serves to emphasize the need to audit the departments' performance measurements for future reports.

None of the departments participating in the SEA report have a mechanism in place to communicate their everyday successes to the public. This means that the performance message that the public hears is often negative. While the reports are often true, they do not provide a balanced picture of Detroit's services, safety and the community as a whole.

Department sponsored community outreach, training, education, and recreational opportunities are not effectively communicated to the public. City department web pages are not updated or do not contain useful information. In some cases, the department does not want the public to know about programs because they fear they do not have the staff to meet expected demand. Once again, positive messages about City services do not reach the general public.

Human resources, purchasing and the centralized vehicle purchasing and repair functions have a tremendous impact on the services delivered by the other City departments. The Recreation Department is especially dependent on Human Resources to meet its seasonal staffing requirements. Measures should be taken to insure that these processes work efficiently and effectively so they do not hinder the delivery of services to Detroit residents.

DEPARTMENT PERFORMANCE:

DPW

- ◆ Budgeted spending and staffing have remained constant at 8% of the total City budget and over 1,400 budgeted positions.
- ◆ Citizens are satisfied with solid waste removal and traffic engineering and signage.
- ◆ Citizens are not satisfied with vacant lot cleanup and vacant house demolition. Although these services have increased in frequency, they do not occur often enough to achieve citizen service satisfaction.
- ◆ Lack of vehicle garage maintenance performance measurements and standards make it difficult to measure its efficiency and effectiveness.

DDOT

- ◆ Operating costs continue to grow despite being higher than national averages for similar services.
- ◆ Lack of a regional public transportation strategy contributes to an unclear definition of DDOT's service parameters and an unrealistic objective to provide easy access to public transportation for all.
- ◆ Data needed to make informed service delivery changes are not available due to poor estimates of passengers, route miles, and route usage.
- ◆ Department activities do not align with department goals of reducing dependence on the General Fund or providing service to businesses.

Fire

- ◆ Budget has decreased slightly as a percentage of the City's total budget.
- ◆ Average age of apparatus has declined due to renewed vehicle investment by City.
- ◆ Residents receive improved emergency medical service due to an upgrade of all EMS vehicles and staff capabilities to Advanced Life Support standards.
- ◆ Management is forced to use creative methods, such as voluntary overtime and word-of-mouth endorsements, to prevent daily station closures and to insure that necessary technical and leadership skills are obtained.

Police

- ◆ Citizens are not satisfied with response time to 9-1-1 calls and non-emergency requests for service.
- ◆ Crime occurrences have decreased, but not to the extent of the national averages
- ◆ Accounting for budgeted and actual spending is not made to the same financial system hierarchies, making it impossible to track program spending and results.
- ◆ The 3-1-1 non-emergency phone number must be advertised in order for the department to realize a decrease in non-emergency calls reported on the 9-1-1 system.

Public Lighting

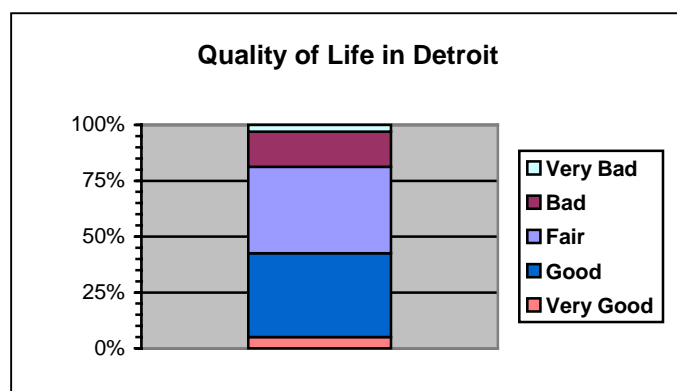
- ◆ Old generating equipment limits the department's ability to alter its energy purchase-generation ratio quickly, causing system energy to cost more than it could.
- ◆ Tree trimming around overhead lines has reduced the number of power outages attributable to downed wires.
- ◆ Unable to make comparisons of power generation, traffic signal, and street lighting costs to peer cities and to national averages due to the lack of up-to-date internal allocation cost reports. Annual reports have not been prepared for the 1998, 1999, 2000, and 2001 fiscal years.
- ◆ Street Fund reimbursements have been made for budgeted, rather than actual spending due to the lack of full cost spending amounts.

Recreation

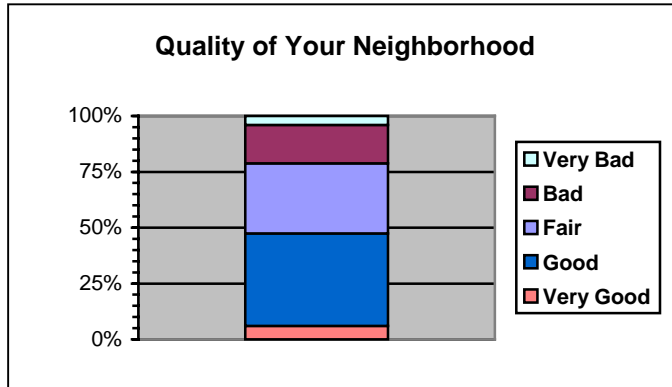
- ◆ Majority of spending is on recreation programming to the detriment of building maintenance, ground maintenance and forestry activities.
- ◆ Annual capital dollars available for investment in recreation projects are not sufficient to make the needed maintenance or upgrade repairs.
- ◆ Reliance on a seasonal and part-time workforce makes this department especially dependent on the Human Resources department, whose performance directly impacts service delivery of summer programs and grounds keeping services.
- ◆ Inoperable equipment that is needed to provide forestry services directly impacts operations.

QUALITY OF LIFE INDICATORS:

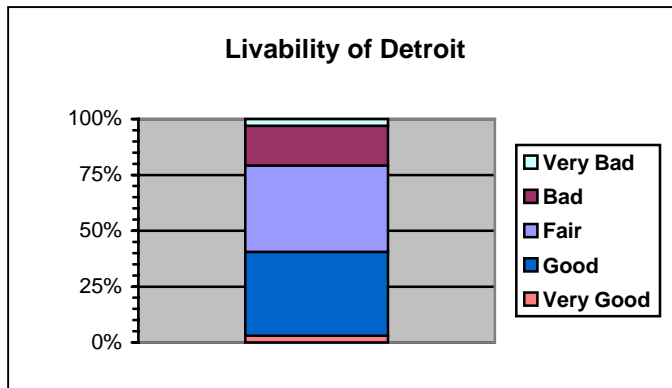
The Office of the Auditor General (OAG) conducted a citizen satisfaction survey in the fall of 2001. In addition to questions concerning specific city services, the survey queried citizens to determine their overall satisfaction with the quality of life in the City. The results of the quality of life questions are shown on the following charts, with the highest rating on the bottom and the lowest rating on the top. In this way, the reader can work his or her way up the bar to find a total rating of "at least" satisfaction.



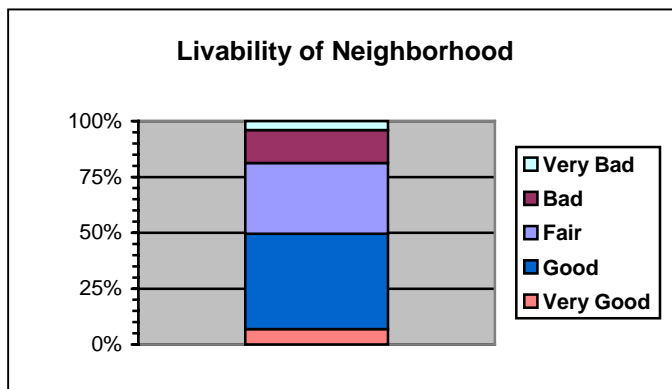
43% of citizens rate the quality of life in the City of Detroit as "Good" or "Very Good", while 82% of citizens rate the quality of life at least "Fair".



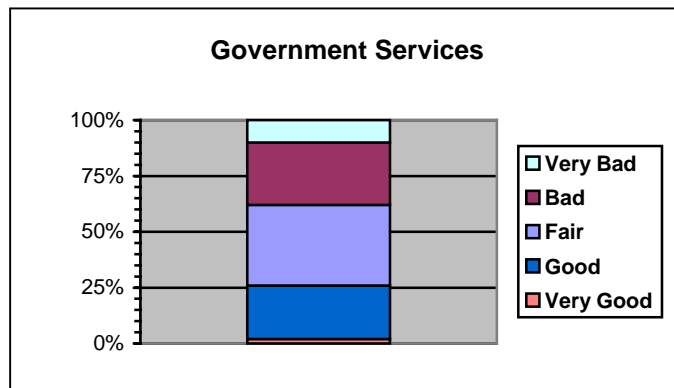
47% of citizens rate the overall quality of their neighborhood as "Good" or "Very Good", while 78% rate the quality of their neighborhood at least "Fair".



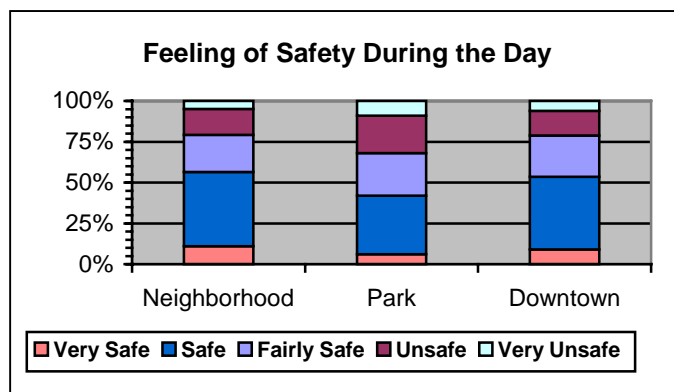
41% of Detroiters rate the livability in the City as "Good" or "Very Good", while 80% rate the livability at least "Fair".



50% of citizens rated the livability of their neighborhood as "Good" or "Very Good", while 82% of citizens rated their neighborhood livability as at least "Fair".

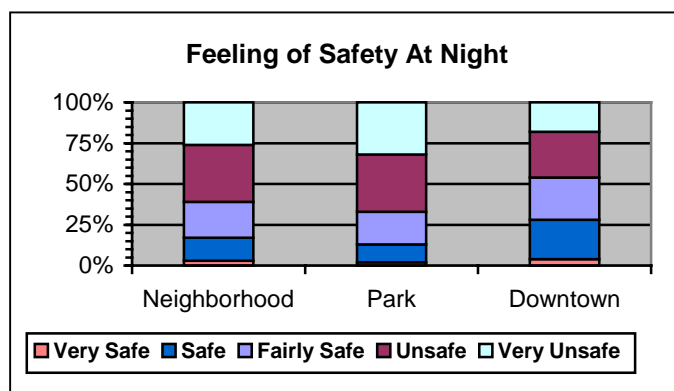


26% of Detroiters rated the provision of services by local government as "Good" or "Very Good", while 62% rated the local government's job performance at least "Fair".



Detroiters were asked to rate their feeling of safety during the day in their neighborhood, neighborhood park, and downtown. All responses are shown on the chart to the left.

Nearly 80% of citizens feel at least "Fairly" safe walking in their neighborhood (80%) and downtown (79%) during the day; while only 68% feel "Fairly" safe walking in their neighborhood park during the day.



As expected, Detroiters do not feel as safe walking at night. 54% of citizens feel at least "Fairly" safe walking downtown, but that feeling of safety drops significantly in the neighborhoods. 39% feel at least "Fairly" safe walking alone at night in their neighborhoods, while only 33% feel at least "Fairly" safe walking alone at night in their neighborhood park.

While the at least "Fair" scores for quality of life in the City of Detroit are reasonably high, there is a very high percentage (30 – 50%) of citizens rating city life as "Fair". In the coming years, one measure of improved city services will be the percentage of those people whose opinions rise from a "Fair" rating to "Good" or "Very Good".

INTRODUCTION

BACKGROUND:

In 1989, the Governmental Accounting Standards Board (GASB) issued Concept Statement No. 2, which stated that the annual financial statements issued by governmental units do not do an adequate job of communicating government performance to community stakeholders. GASB suggested that the publication of an additional document reporting on the entity's service efforts and accomplishments (SEA) would provide performance data that could be used as a tool to analyze the governmental unit's effectiveness and efficiency in service delivery. Through this second report, government administrations and management could be held accountable for their performance.

GASB suggested basic elements that should be included in such a report: (1) measures of service efforts or inputs; (2) measures of accomplishments in the form of outputs or outcomes; (3) efficiency or effectiveness measures that relate the efforts to the accomplishments; and (4) explanatory information describing factors both within and outside the control of the entity that affect service delivery. GASB also suggested three sources for obtaining service measurements: internal trends, benchmarking with comparison cities, and citizen satisfaction. GASB went on to state that while it thought such a report would be beneficial, it was not sure specifically what the report should look like or include. GASB called on governmental units to experiment with the report and the process in an open forum.

The notion of using performance measurements to gauge the success of an activity or service is not new. Private business and industry have embraced total quality, benchmarking, process improvement, activity-based costing and six sigma as tools to eliminate waste, measure productivity gains, and assign accountability. Government has also embraced performance measurement and process improvement techniques such as goal-based governance, balanced scorecard, and in some cases activity-based costing. Because governmental units are not operating in competitive markets, they have generally been slower to incorporate these tools into their culture and slow to utilize them effectively. Governmental entities that have wholeheartedly adopted these methods are seen as progressive.

It is within this overall environment that the Office of the Auditor General (OAG) decided to produce this first Service Efforts and Accomplishments report on Detroit's city services. The report incorporates all of GASB's suggestions – internal measurement trends, benchmarking, citizen satisfaction, and commentary.

PURPOSE, SCOPE & METHODOLOGY:

The purpose of this report is to:

- ◆ Assess the performance of city services at the end of 2001 to the extent possible.
- ◆ Establish a benchmark against which subsequent years performance can be measured to evaluate the success of changes in overall city priorities, policies, staffing and funding decisions.
- ◆ Put in place the mechanism to continue to measure the City's progress in improving services.

The report's target audience is the Mayor, City Council, City Agencies, and most importantly, the citizens of Detroit. Citizens, as taxpayers and as those represented by elected officials, should have the means to determine whether their government is efficiently and effectively providing services. The SEA report will help fill that need.

After researching the approach followed by other governmental entities, the OAG explored the performance measurement and managing for results work that was underway in Detroit. Detroit's current performance measurement process is most deeply embedded in the annual budget process. Since the 1979-1980 fiscal year budget, City departments have included a mission statement, department and division goals, and performance measurements (usually expressed in terms of output or workload measurements) in the Mayor's Executive Budget document. The City Charter mandates that departments produce annual reports. For many years, individual departments produced reports that included narrative descriptions of their respective activities and output measurements.

In the spring of 1995, the Mayor and his management team introduced Detroit's four cornerstone goals and Goal Based Governance (GBG) to set the strategic direction of the city and to act as a focus for city programs and services. At that time, there was an effort to align each department's goals with the citywide goals. Each department rewrote its mission statement, developed departmental goals that aligned with the cornerstone goals and aligned its division goals with the departmental goals. Performance statistics and objectives were redefined to fit the new goal alignment format. Results of each department's performance are published each year in the Mayor's Executive Budget.

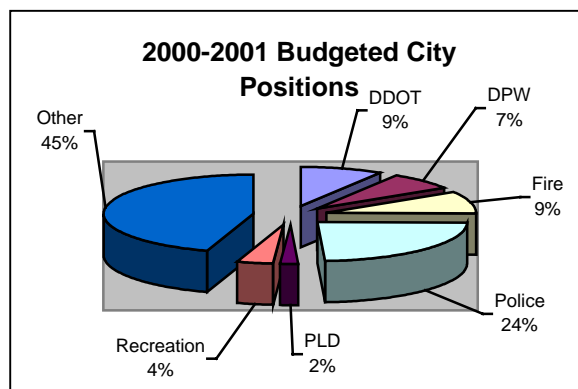
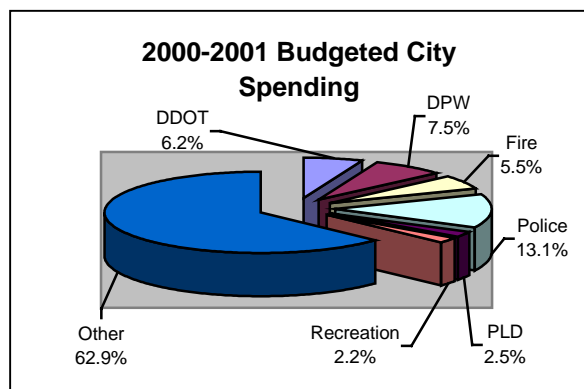
Cornerstone Goals

1. Affirm Detroit as a Safe City
2. Provide essential, efficient, and user-friendly services.
3. Restore financial solvency.
4. Obtain business expansion and growth.

In 2000, in an attempt to drive accountability and budget allocations, the Mayor's office began the Core Service Priorities initiative which tracks performance information in a centralized database known as the Measurement and Performance System (MAPS). Although GBG and MAPS are related theoretically and strategically, the systems are not physically linked and track different performance measurements.

The measurements used in recent years' budgets have been relatively stable from year to year, lending themselves to trend comparisons. In fact, many of the measurements tracked in 1991 are still tracked today. OAG auditors determined that, overall the Executive Budget is a good source of data for the internal trend element of the SEA report, even though the department submitted measurements are not audited for accuracy.

The departments included in this first report are: Department of Public Works (DPW), Department of Transportation (DDOT), Fire Department, Police Department, Public Lighting Department, and Recreation Department. Arguably, these departments are the most visible to citizens. With the exception of the Water and Sewerage Department, they provide the majority of services that affect all citizens. These departments account for 37% of the city's budgeted spending and employ 55% of the city's workers.



Data Gathering & Analysis:

The first step in the SEA report creation was to identify the services offered by each of the targeted departments and to determine the adequacy of the budget performance measurements in assessing performance. Key department managers were interviewed to gain an understanding of the services they offer, the issues they face, their accomplishments, and their future plans. In some instances, workload information was not maintained on a regular basis, and it would have required too much time and effort to gather data on prior years' activities and programs. These situations are indicated with the words "not available" within the body of the SEA report. Departments agreed to gather and compile this data in future years.

OAG auditors reviewed available financial data sources that could be used to analyze department and activity trends. Because the SEA performance assessment considers actual inputs in relation to outcomes, it is the actual spending level that affects service delivery. The City's Comprehensive Annual Financial Report (CAFR) is the most reliable source for actual spending, but it could not be used as a source for actual spending data because it does not separate by service, or even by department, the revenues and expenditures of many of the funds. Further, department-level information that was reconciled to the CAFR was not available. OAG auditors found that with the implementation of the DRMS system, financial information for the more recent years is more nearly in agreement with CAFR data. As a result of the analysis of financial sources, the following data sources were used:

- ◆ Amended budget figures (Red Book) were used for comparison of departmental spending trends.
- ◆ Budgeted and actual spending was compared for fiscal years 1999 to 2001 (years following DRMS implementation).
- ◆ DRMS or the Legal Budget (prior year actual figures published in the annual Executive Budget) was used to compare activity or program spending trends. (Estimated figures were deemed adequate for showing trends in activity spending. Program spending figures should only get more accurate in subsequent reports.)
- ◆ All spending figures were adjusted for inflation to 2001 dollars using the Consumer Price Index (CPI) to better compare buying power from year to year.

The amended budget (Red Book) contains budgeted staffing for each department, including a breakdown by division, organization and position. Payroll Personnel System (PPS) reports compare the number of budgeted and actual workers by position within department established hierarchies. To maintain consistency with the staffing numbers reported in the annual Executive Budget, PPS March 31 reports were used to determine actual staffing levels. This methodology is satisfactory for most departments and positions; however, because the Recreation department uses a large contingency of seasonal and part-time workers, the PPS reports show large staffing shortages in the winter months and large staffing overages in the summer months. In this case, only budgeted staffing numbers were used for trend analysis.

Satisfaction Surveys:

To obtain a measurement of citizen satisfaction with city services, the OAG conducted a citizen satisfaction survey in the fall of 2001. Ninety questions were developed addressing quality of life and service quality topics. Nearly 21,500 surveys were mailed to Detroit citizens, 19,728 of those were delivered and 3,378 completed surveys were returned. The response rate of 17.12% was lower than anticipated, yet yields a citywide sampling error of ± 1.68 percentage points. The sampling error is higher on the neighborhood city

hall region results and on individual questions that received fewer than 3,378 responses. The survey methodology and a complete table of results are contained in Appendix A of this report. Copies of the comments that were received are available in the OAG's 2001 Citizen Satisfaction Survey Report.

To obtain a measurement of the Public Lighting Department's customer satisfaction, a satisfaction survey was conducted. In all, 76 responses were received, a response rate of 15.3%. Survey methodology and results are contained in Appendix B of this report.

Comparison To Other Cities:

To compare Detroit's services and performance to similar services in other cities, OAG auditors conducted a benchmarking study. Comparison cities were selected from the "Most Comparable" and "More Comparable" categories in a report prepared for the City of Detroit's Labor Relations office, which selects comparison cities based on changes in population, households, and economic indicators. Indianapolis and Milwaukee were added to the comparison cities group as examples of mid-western cities physically located in similar latitudes.

Several of the SEA departments participate in national databases tracking performance such as the FBI's Uniform Crime Reports (UCR), the Federal Transit Administration's National Transit Database (NTD), and the Federal Emergency Management Agency's National Fire Incident Reporting System (NFIRS). In some cases, the OAG auditors determined that it would be most effective to gather information from these national databases, and use established measurements, rather than contacting the comparison cities for alternative measures. In other cases, the auditors determined that contacting the comparison cities would be the appropriate methodology to follow. Auditors contacted the peer city's comparable departments, ascertained their willingness to participate in a benchmarking study, and sent written requests for service information.

The number of benchmarking responses varied with the service. The responses reinforced the belief that benchmarking city services is difficult. Some services were delivered by different agencies than in Detroit, and the services themselves differed substantially. For example, in some cities, fire fighters are all trained as paramedics and respond to all 9-1-1 calls for emergency care. In Detroit, emergency medical service is provided by a division separate from the fire fighters and fire fighters do not respond to emergency medical calls. Thus, comparing the number of fire fighter responses to service calls between the two cities is like comparing apples and oranges. Yet, if this service delivery arrangement affects performance then it should be used as a comparison of the service level that peer cities are providing. More research into services and service delivery must occur before benchmarking data can be effectively used to compare performance.

REPORTING FORMAT:

The format developed for this first SEA report on the City of Detroit grew out of several considerations. First, GASB prescribes no particular format but leaves it to the discretion of each governmental entity. Second, the reports of other governmental entities provided insight on possible approaches. OAG auditors found that reports that evaluate entire departments or divisions within a department ultimately leave unanswered questions about service or program performance. This is especially true when comparing performance with peer cities that have a different arrangement of services among their departments. For example, Detroit places responsibility for maintaining its park grounds under the Recreation Department while other cities place it under the Department of Public Works. To look at the department as a whole misses the complexities that must be dealt with in delivering services. Further, reports that focus only on major services exclude many important but minor services that are provided to citizens.

This report presents the service efforts and accomplishments of the six departments by showing historical and current fiscal year data on the various activities, services and programs of each department. The activities, services and programs are presented in relation to the departmental goal they help achieve, as service delivery often crosses division lines within a department. This format also allows for flexibility in future reporting. The approach is illustrated conceptually in the chart on page 6, which shows the alignment of city and department goals, services and performance measurements for Detroit's SEA report.

FUTURE REPORTS:

The OAG plans to produce the Service Efforts and Accomplishments report on a biennial basis, thus giving departments an opportunity to improve their performance and the citizens of the City of Detroit an opportunity to experience the improvements. OAG auditors plan to continue to work with the departments included in this report to assess the effectiveness of their performance measurements and perhaps identify measurements that better track service effectiveness and efficiency. OAG auditors plan to audit the performance measurements contained in this report in the future.

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The following six department chapters contain the compiled Service Efforts and Accomplishments data for their activities and programs. The OAG believes the report will provide the reader with the necessary information to develop an informed opinion of the quality, effectiveness and efficiency of the services provided.

